

**CITY OF SABULA**  
**INDEPENDENT ACCOUNTANT'S REPORT**  
**ON APPLYING AGREED UPON PROCEDURES**  
**FOR THE PERIOD**  
**JULY 1, 2013 THROUGH JUNE 30, 2014**

**CITY OF SABULA  
SABULA, IOWA**

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**CITY OF SABULA  
SABULA, IOWA**

**OFFICIALS**

Name	Title	Term Expires
	(Before January 2014)	
Darrell Rittmer	Mayor	January 2014
Troy Hansen	Council Member	January 2014
Teena Franzen	Council Member	January 2014
Marian Alimi	Council Member	January 2016
Darwin Paddock	Council Member	January 2016
Henry Kramer	Council Member	January 2016
Ronda James	Clerk/Treasurer	Indefinite
Steven Kahler	Attorney	Indefinite
	(After January 2014)	
Donald Thayer	Mayor	January 2016
Eric Hartman	Council Member	January 2018
Teena Franzen	Council Member	January 2018
Marian Alimi	Council Member	January 2016
Darwin Paddock	Council Member	January 2016
Henry Kramer	Council Member	January 2016
Ronda James	Clerk/Treasurer	Indefinite
Melissa A. Burken Mommsen	Attorney	Indefinite

# ***O'CONNOR, BROOKS & CO., P.C.***

**CERTIFIED PUBLIC ACCOUNTANTS**

W.H. LEGLAR, CPA  
S.J. DOMEYER, CPA  
M.A. KUEPERS, CPA  
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## **INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES**

To the Honorable Mayor

We have performed an agreed-upon procedures engagement of the City of Sabula pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide certain minimum oversight of Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Sabula for the period of July 1, 2013 through June 30, 2014. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed security bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We reviewed City funds for consistency with the City Finance Committee's recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2014 Annual Financial Report (AFR) to determine whether it was completed and accurately reflects the City's financial information.

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IOWA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

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7. We reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.
8. We reviewed compliance with Chapters 12C.2, 12B, 10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
9. We reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
10. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
11. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
12. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
13. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
14. We reviewed the annual certified budget for proper authorization, certification and timely amendment.
15. We compared the sales tax on the utility billing registers to the amended sales tax reports filed with Iowa Department of Revenue.
16. We sampled on a test basis customer utility accounts to determine they were properly coded as residential or commercial for purpose of sales tax billings.
17. We inquired of and reviewed the procedures in place to track employee vacation, sick leave and compensating time off.

Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

We were not engaged to and did not conduct an audit of the operations of the City of Sabula, the objective of which is the expression of opinions on financial statements. Accordingly, we do not express opinions on the City's financial statements. Had we performed additional procedures, or had we performed an audit of the City of Sabula, additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Sabula and other parties to whom the City of Sabula may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Sabula during the course of our agreed upon procedures. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

O'CONNOR, BROOKS & CO., P.C.

*O'Connor, Brooks & Co., P.C.*

Dubuque, Iowa  
January 30, 2015

## **DETAILED RECOMMENDATIONS**

## CITY OF SABULA

### DETAILED RECOMMENDATIONS

**For the Period July 1, 2013 through June 30, 2014**

- A. Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. It was noted that one employee performs most duties over the areas of cash, receipts, disbursements, payroll and financial reporting.

Recommendation - We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

- B. Investment Policy - The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

Recommendation - The City should adopt a written investment policy that complies with the provisions of Chapter 12B.10B of the Code of Iowa.

- C. Bank Reconciliations - The City clerk is preparing monthly bank reconciliations. As noted in Finding A, this individual also performs most duties over cash, receipts, disbursements, payroll and financial reporting. The mayor reviews the monthly reconciliation.

Recommendation - We recommend that the mayor sign or initial and date the reconciliation after reviewing it.

- D. City Council Minutes - Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings be published within 15 days of the meeting. Minutes for two of the meetings tested were not published within 15 days.

Recommendation - The City should comply with the Code of Iowa and publish City Council minutes within 15 days as required.

- E. Separately Maintained Records - The City of Sabula's Fire and Ambulance Departments maintain separate accounting records for certain operations. These transactions and resulting balances are not included in the City's accounting records.

Recommendation - Chapter 384.20 of the Code of Iowa states, in part, "A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received or expended for any city purpose". For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City's accounting records and reported to the City Council on a monthly basis. The Fire and Ambulance Department's accounts should be monitored for the use of public funds, and if needed, be included in the general accounting of the City's financial records. The City should consult legal counsel on this matter.

## CITY OF SABULA

### DETAILED RECOMMENDATIONS

**For the Period July 1, 2013 through June 30, 2014**

- F. Sabula Ambulance - Although monthly reconciliations of book and bank balances are prepared, there is no evidence of independent review. Also, prenumbered receipts were not issued for collections and deposits were not timely.

Additionally, the Sabula Ambulance does not prepare a reconciliation of billings, collections and delinquencies each month.

Recommendation - To improve financial accountability and control, there should be an independent review of the monthly reconciliation of the book and bank balances. Prenumbered receipts should be issued at the time of collection to provide additional control over the proper collection and recording of all money. Deposits should be timely and intact.

Also, the Sabula Ambulance should prepare a reconciliation of billings, collections and delinquencies each month.

- G. Sabula Volunteer Fire Department - Although monthly reconciliations of book and bank balances are prepared, there is no evidence of independent review. Also, prenumbered receipts were not issued for collections.

Certain disbursements tested were not properly supported and not all invoices were cancelled to prevent possible duplicate payment.

Recommendation - To improve financial accountability and control, there should be an independent review of the monthly reconciliation of the book and bank balances. Prenumbered receipts should be issued at the time of collection to provide additional control over the proper collection and recording of all money. All disbursements should be supported by an original receipt from the vendor and invoices and supporting documents should be cancelled to prevent possible duplicate payment.

- H. Certified Budget - Disbursements during the year exceeded budgeted amounts in the Public Works, Culture and Recreation and Business type activities functions. Chapter 384.18 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation".

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

- I. City Council Disbursement Approval - Council approval was not obtained for one (1) of thirty (30) disbursements tested in the amount of \$14,000.

Recommendation - The Council should approve all disbursements of the City and be documented in the minutes.

## **CITY OF SABULA**

### **DETAILED RECOMMENDATIONS**

**For the Period July 1, 2013 through June 30, 2014**

- J. Sales Tax on Utilities - We reviewed quarterly sales tax reports which were amended subsequent to June 30, 2014. Information on these reports agreed with City billing summaries. During discussions with City staff, it was determined that some utility accounts were being charged incorrect sales tax amounts.

Recommendation - We recommend City staff review each utility customer to determine proper coding for sales tax.

- K. Payroll - Timesheets did not include evidence of supervisory review.

Recommendation - After reviewing timesheets, the mayor should sign or initial and date them.

**O'CONNOR, BROOKS & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

**OFFICE  
COPY**

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J.L. WOOLF, CPA

January 30, 2015

Wendy Hoertz, City Clerk  
City of Sabula  
411 Broad Street  
Sabula, IA 52070

Dear Wendy:


Enclosed are ten examination reports for the City of Sabula for the year ended June 30, 2014, and a news release you may make available concerning the report.

We have sent two copies to the State Auditor's office including an electronic copy per our discussion.

The filing fee to the State Auditor is \$175.00. Include your check made payable to the "Office of Auditor of State" with the envelope enclosed and forward to their office.

Sincerely,

O'CONNOR, BROOKS & CO., P.C.

By   
James W. Hannan, CPA

JWH/lp

Enclosure

**O'CONNOR, BROOKS & CO., P.C.**

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J.L. WOOLF, CPA

January 30, 2015

Mary Mosiman, CPA  
Auditor of State  
State Capitol Building - Room 111  
1007 East Grand Avenue  
Des Moines, IA 50319

RE: City of Sabula

Dear Ms. Mosiman:

Enclosed please find the following:

Two copies of the examination report of City of Sabula, Sabula, Iowa for the period July 1, 2013 to June 30, 2014.

Copy of the News Release announcing the issuance of this report.

Copy of hours and fees.

We have instructed our client to remit the \$175 filing fee required.

Yours very truly,

O'CONNOR, BROOKS & CO., P.C.

By *James W. Hannan, CPA*  
James W. Hannan, CPA

JWH/lp

Enclosure

**O'CONNOR, BROOKS & CO., P.C.**

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January 30, 2015

Mary Mosiman, CPA  
Auditor of State  
State Capitol Building – Room 111  
1007 East Grand Avenue  
Des Moines, IA 50319

RE: City of Sabula

June 30, 2014, Examination Report

\$ 5,200  
=====

Principal hours	43 hrs.	\$ 3,600
Staff hours	24 hrs.	1,320
Secretarial	2 hrs.	75
		-----
		\$ 4,995
Travel		205
		-----
		\$ 5,200
		=====

O'CONNOR, BROOKS & CO., P.C.

By James W. Hannan, CPA  
James W. Hannan, CPA

JWH/lp

OFFICE  
COPY

NEWS RELEASE

FOR RELEASE January 30, 2015

O'Connor, Brooks & Co., P.C. today released an examination report on the City of Sabula, Iowa for the period July 1, 2013 through June 30, 2014. The examination was performed pursuant to Chapter 11.6 of the Code of Iowa.

O'Connor, Brooks & Co., P.C. recommended the City review its control procedures to obtain the maximum internal control possible. There were also recommendations regarding various statutory requirements.

A copy of the examination report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1321-0560-BLOF.pdf>.